

# **YORK TECHNICAL COLLEGE**

---

**Independent Auditors' Report  
Financial Statements and Schedules  
For the Year Ended June 30, 2014  
With Comparative Totals for June 30, 2013**



**YORK TECHNICAL COLLEGE**  
**TABLE OF CONTENTS**  
June 30, 2014

	<u>Page</u>
Commission Members - Administrative Staff - Service Area	1
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-10
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Assets	12
Statement of Cash Flows	13-14
Component Unit York Technical College Foundation, Inc. - Statement of Financial Position	15
Component Unit York Technical College Foundation, Inc. - Statement of Activities	16
Notes to Financial Statements	17-43

**YORK TECHNICAL COLLEGE**  
Commission Members - Administrative Staff - Service Area  
For the Year Ended June 30, 2014

Period Covered

Fiscal Year Ended June 30, 2014.

<u>York Technical College Commission Members</u>	<u>County</u>	<u>Term Expires</u>
Charles Z. Robinson, Chair	York	2017
Geri H. Rucker, Vice-Chair	York	2018
E. Paul Basha	York	2018
David E. Cyphers	York	2016
Claudia L. Douglass	York	2018
James C. Hardin	York	2016
Dr. A. Douglas Marion	Chester	2015
Harry M. Miller	York	2018
Jeffrey C. Sigmon	York	2016
Bruce D. Barre	York	2017
Vacant	Lancaster	

All terms begin on April 15.

College Administrative Staff

Gregory F. Rutherford	President
Vacant	Executive Vice President for Academic and Student Affairs
Marc C. Tarplee	Vice President for Business Services
Melanie Jones	Vice President for College Advancement
Bridgett Golman	Associate Vice President for Student Affairs

Service Area

York, Chester and Lancaster Counties

Entities Providing Financial Support

York County  
Chester County

S.C. Board for Technical & Comprehensive Education	U.S. Department of Transportation
S.C. State Budget and Control Board	S.C. Department of Education
U.S. Department of Agriculture	S.C. Commission on Higher Education
U.S. Department of Education	U.S. Department of Veteran's Affairs
U.S. Department of Labor	

---

## Independent Auditors' Report

York Technical College  
Rock Hill, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of York Technical College, a discretely presented component unit of the State of South Carolina, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of York Technical College Foundation, Inc. (a discretely presented component unit). The York Tech College Foundation, Inc. reflects 100% of total assets, 100% of net assets, and 100% of total revenues of the discretely presented component unit.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of York Tech College Foundation, Inc., which represent 100% of total assets, 100% of net assets, and 100% of total revenue of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the York Tech College Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of York Tech College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of York Technical College as of June 30, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 1 to the financial statements, in 2014, the College adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

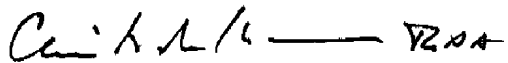
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of York Technical College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

**Report on State Lottery Assistance Program**

We have also issued our report dated September 12, 2014 on our consideration of York Technical College administration of the State Lottery Assistance Program and on our test of its compliance with certain provisions of State law and policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.



Gaffney, SC  
September 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YORK TECHNICAL COLLEGE  
JUNE 30, 2014

This section of York Technical College's Annual Financial Report presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2014. This discussion should be read in conjunction with financial statements and the notes thereto, which follow this section.

***Financial Highlights***

- The assets and deferred outflows of resources (deferred outflows) of York Technical College exceeded liabilities and deferred inflows of resources (deferred inflows) by \$ 51,897,471 as of June 30, 2014 (net position). Of this amount, \$ 26,974,823 (unrestricted net assets) may be used to meet the College's ongoing obligations from unrestricted activities.
- The College's net position increased by \$ 1,899,645 or 3.8%, primarily in the category of current assets.
- The College experienced an operating loss of \$ 21,982,906 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, state appropriations of \$ 6,029,646, local appropriations of \$ 3,927,139, investment income of \$ 100,749, federal grants and contracts of \$ 11,961,817, other non-operating revenues of \$49,585, deferred maintenance funding of \$ 264,890, non-recurring state funding of \$24,037, as well as state and local capital appropriations of \$ 1,524,688 offset this operating loss.

***Overview of the Financial Statements***

The College is engaged only in Business-Type Activities (BTA) financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The Statement of Net Position presents the financial position of the College at the end of the fiscal year. Net position is the difference between the sum of assets and deferred outflows of resources, and the sum of liabilities and deferred inflows of resources. There are three components of net position: net investment in capital assets, unrestricted assets, and restricted assets. Net position is one indicator of the current financial condition of the College, while the change in net position is an indicator that the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses, and Changes in Net Position replaces the fund perspective with the entity-wide perspective. Revenues and expenses are categorized as operating or non-operating. In addition, expenses are reported by object code.

The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, noncapital financing, and investing activities. This statement also emphasizes the College's dependence on state and county appropriations by separating them from operating cash flows.

Accordingly, the financial statements include the accounts of York Technical College as the primary government and the accounts of York Technical College Foundation (the "Foundation"), its component unit. The College is part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundation's relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.



## Financial Analysis

### Statement of Net Position:

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets and deferred outflows exceeded liabilities and deferred inflows by \$ 51,897,471 at fiscal year ended June 30, 2014, \$ 49,997,827 at June 30, 2013, and \$49,090,888 at June 30, 2012.

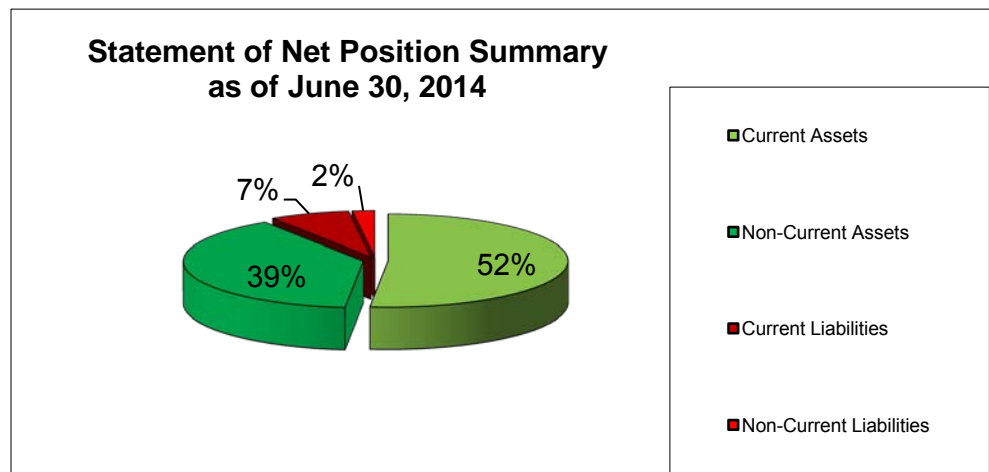
Approximately one-half of the College's net assets, \$ 24,922,648 (48.0%), is reflected in its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The College uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. It should be noted that there is no debt associated with these assets. See Note 4 in the financial statements for further disclosure of capital assets.

*Unrestricted net assets* of \$ 26,974,823 (52.0%) may be used to meet the College's ongoing obligations.

The following schedule is prepared from the College's Statement of Net Position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated. Note that assets and deferred outflows substantially exceed liabilities and deferred inflows, denoting a sound financial condition for the College.

### Net Position as of June 30, 2014, June 30, 2013, and June 30, 2012 (in millions)

	2014	2013	Increase /Decrease	2012	Increase/ Decrease
<b>ASSETS</b>					
Current Assets	\$ 32.8	\$ 31.9	\$ 0.9	\$ 29.9	\$ 2.0
Non-current Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Net investment in Capital Assets	\$ 24.9	\$ 24.1	\$ 0.8	\$ 24.9	\$ (0.8)
<b>TOTAL ASSETS</b>	<b>\$ 57.8</b>	<b>\$ 56.0</b>	<b>\$ 1.8</b>	<b>\$ 54.8</b>	<b>\$ 1.2</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL</b>	<b>\$ 57.8</b>	<b>\$ 56.0</b>	<b>\$ 1.8</b>	<b>\$ 54.8</b>	<b>\$ 1.2</b>
<b>LIABILITIES</b>					
Current Liabilities	\$ 4.6	\$ 4.7	\$ (0.1)	\$ 4.4	\$ 0.3
Non-current Liabilities	\$ 1.3	\$ 1.3	\$ -	\$ 1.3	\$ -
<b>TOTAL LIABILITIES</b>	<b>\$ 5.9</b>	<b>\$ 6.0</b>	<b>\$ (0.1)</b>	<b>\$ 5.7</b>	<b>\$ 0.3</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL</b>	<b>\$ 5.9</b>	<b>\$ 6.0</b>	<b>\$ (0.1)</b>	<b>\$ 5.7</b>	<b>\$ 0.3</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 24.9	\$ 24.1	\$ 0.8	\$ 24.7	\$ (0.6)
Unrestricted Assets	\$ 27.0	\$ 25.9	\$ 1.1	\$ 24.4	\$ 1.5
Restricted Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL NET POSITION</b>	<b>\$ 51.9</b>	<b>\$ 50.0</b>	<b>\$ 1.9</b>	<b>\$ 49.1</b>	<b>\$ 0.9</b>



#### Statement of Cash Flows:

The Statement of Cash Flows is concerned solely with the flows of cash in and out of the College. Consequently, only transactions that affect the College's cash account are reported in this statement.

**Summary of Cash Flows  
As of June 30, 2014, June 30, 2013, and June 30, 2012  
(in millions)**

	2014	2013	Increase/ Decrease	2012	Increase/ Decrease
<b>Net cash used by operating activities</b>	\$ (22.2)	\$ (18.8)	\$ (3.4)	\$ (19.5)	\$ 0.7
<b>Net cash flows from non-capital financing activities</b>	\$ 21.3	\$ 21.3	\$ (0.0)	\$ 23.8	\$ (2.5)
<b>Net cash flows used by capital and related financing activities</b>	\$ (1.5)	\$ (0.3)	\$ (1.2)	\$ -	\$ (0.3)
<b>Net cash flows from investing activities</b>	\$ 0.0	\$ 0.2	\$ (0.2)	\$ 0.2	\$ -
<b>Net increase/decrease in cash</b>	\$ (2.4)	\$ 2.4	\$ (4.8)	\$ 4.5	\$ (2.1)

Cash decreased by \$ 2,399,864 during FYE 2014, primarily as a result of capital purchases of \$2.1M that were only partially offset by state and capital appropriation and an increase in operating receivables of \$1.0M.

The College believes that a strong cash position is essential to its long-term viability. As state funding for operations and capital projects continually decreases, the College must generate its own financial resources to fund maintenance, future construction, updating of academic equipment, and the launch of new programs. The College anticipates further decreases in cash as it invests in its Master Plan during the next five years.

**Statement of Revenues, Expenses, and Changes in Net Position:**

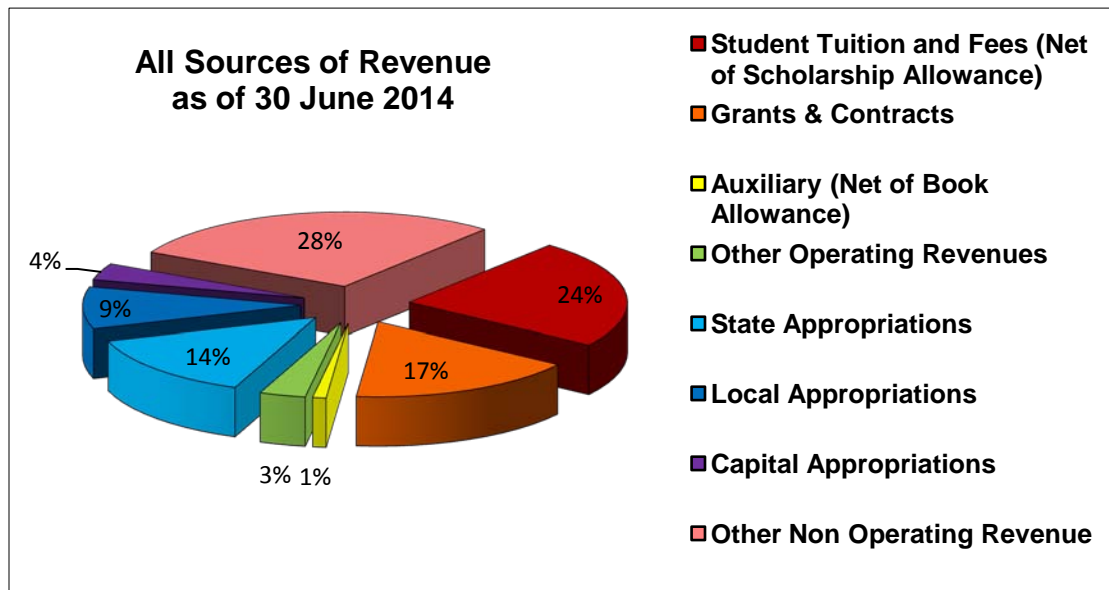
The Statement of Revenues, Expenses and Changes in Net Position presents and categorizes revenues earned and expenses incurred during the year by operating and non-operating. Generally, operating revenues and expenses are those received and used to carry out the mission of the College, although certain revenues such as state and local financial support are classified as non-operating revenues. As a result, the College will show an operating deficit, but inclusion of non-operating revenue results in an overall increase in net assets for the year. State and local capital appropriations and capital grants and gifts are considered neither operating nor non-operating revenues and are reported below in the schedule.

**Statement of Revenue, Expense and Changes in Net Position**  
**As of June 30, 2014, June 30, 2013, and June 30, 2012**  
**(in millions)**

	2014	2013	Increase/ Decrease	2012	Increase/ Decrease
<b>Operating Revenue</b>					
Tuition and Fees (Net of Scholarship Allowance)	\$ 10.2	\$ 9.0	\$ 1.2	\$ 7.7	\$ 1.3
Grants and Contracts	\$ 7.3	\$ 6.3	\$ 1.0	\$ 7.4	\$ (1.1)
Auxiliary	\$ 0.5	\$ 0.4	\$ 0.1	\$ 0.4	\$ -
Other	\$ 1.5	\$ 1.6	\$ (0.1)	\$ 1.6	\$ -
<b>Total Operating Revenue</b>	<u>\$ 19.5</u>	<u>\$ 17.3</u>	<u>\$ 2.2</u>	<u>\$ 17.1</u>	<u>\$ 0.2</u>
<b>Less Operating Expenses</b>	<u>\$ 41.4</u>	<u>\$ 38.4</u>	<u>\$ 3.0</u>	<u>\$ 41.0</u>	<u>\$ (2.6)</u>
<b>Net Operating Loss</b>	<u>\$ (22.0)</u>	<u>\$ (21.1)</u>	<u>\$ (0.9)</u>	<u>\$ (23.9)</u>	<u>\$ 2.8</u>
<b>Non-operating Revenue</b>					
State Appropriations	\$ 6.0	\$ 5.8	\$ 0.3	\$ 5.6	\$ 0.2
Local Appropriations	\$ 3.9	\$ 4.3	\$ (0.4)	\$ 4.4	\$ (0.1)
Federal Grants and Contracts	\$ 12.0	\$ 11.0	\$ 1.0	\$ 13.9	\$ (2.9)
Proceeds from Local Capital Appropriations	\$ 1.5	\$ 0.5	\$ 1.0	\$ 1.2	\$ (0.7)
Proceeds from State Capital Appropriations	\$ 0.3	\$ 0.2	\$ (0.2)	\$ 0.1	\$ 0.1
Other	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.4	\$ (0.2)
<b>Total Non-operating Revenue</b>	<u>\$ 23.9</u>	<u>\$ 22.0</u>	<u>\$ 1.9</u>	<u>\$ 25.6</u>	<u>\$ (3.6)</u>
<b>Increase in Net Position</b>	<u>\$ 1.9</u>	<u>\$ 0.9</u>	<u>\$ 1.0</u>	<u>\$ 1.7</u>	<u>\$ (0.8)</u>
<b>Increase in Net Position</b>	\$ 1.9	\$ 0.9	\$ 1.0	\$ 1.7	\$ (0.8)
<b>Prior Period Adjustments</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Position, Beginning of Year</b>	<u>\$ 50.0</u>	<u>\$ 49.1</u>	<u>\$ 0.9</u>	<u>\$ 47.4</u>	<u>\$ 1.7</u>
<b>Net Position, End of Year</b>	<u>\$ 51.9</u>	<u>\$ 50.0</u>	<u>\$ 1.9</u>	<u>\$ 49.1</u>	<u>\$ 0.9</u>

## Revenues

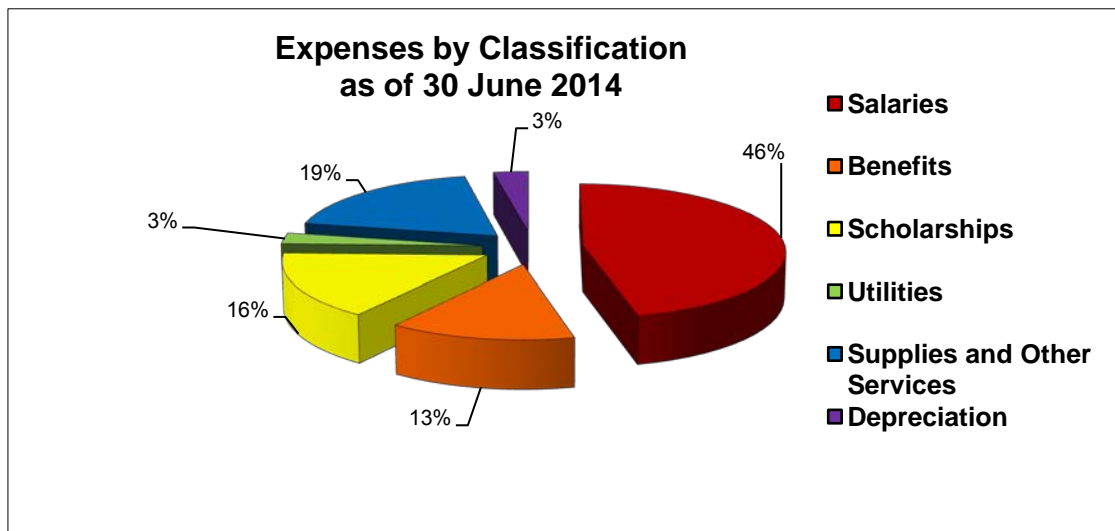
Total revenues for FYE 2014 were \$ 43,337,518, to which the largest contributors were Federal grants and contracts, net tuition, and grants/contracts. More than 90% of the Federal grant revenues are PELL Grants, which is Federal needs-based financial aid awarded to students. Similarly, the majority of the grants and contract component of operating revenue is SC Education Lottery Tuition Assistance. When considered in concert with tuition (24% of revenues), approximately three-fifths (60%) of the College's total revenue is student-driven. In contrast, state and local appropriations make up approximately one-quarter of total revenues. This trend towards a student-driven business model is expected to continue as state appropriations continue to decrease.



## Expenses

Total expenses for FYE 2014 were \$ \$41,437,873, a decrease of approximately 8% from FYE 2013. The largest expense component was salaries, totaling \$ \$19,152,741, which increased by 2% relative to FYE 2013. Of this amount, approximately 70% is identified as instructional and academic support. Supplies and other services is the second largest component of expenses. Note 12 in the accompanying Notes to the Financial Statements identifies operating expenses by functional classification.

Expenses increased across the board with respect to FYE 2013 results. Salaries and benefits rose as a result of state mandated cost of living increases and increases in health insurance premiums. Utilities increased, driven by an unseasonably cold winter and rising telecommunications expenses. Supply expense increased by more than one-fifth over the prior year, but this was expected. The college allocated more than \$1,400,000 for academic equipment, information technology expenditures and a major renovation of the college's on-campus conference center.



### Capital Assets and Debt Administration

The College's net investment in capital assets at June 30, 2014 was \$ 24,922,648, a net increase of \$ 817,815 from the prior fiscal year. The increase resulted from major investments in the college's physical plant, such as road improvements and building renovation, which were partially offset by depreciation.

The College increased its net position by \$ 1,899,645, an amount in line with its target of \$ 1,687,917. The college has no current or long-term debt. More detailed information on long-term debt activity and capital asset activity can be found in Notes 4, 9, and 15 following the basic financial statements.

### Economic Factors

Enrollment increased by approximately 3.7% during this fiscal year, which exceeded the projection of 3%. An improving economy in FYE2015 will likely impact enrollment negatively, but the institution estimates that FYE2015 enrollment growth will be between zero and three percent. Tuition will be increased by 2.6% in FYE2015 to provide additional revenue that will cover the cost of a partially funded cost of living increase mandated by the SC General Assembly.

Historically, the College's enrollment and economic conditions have been countercyclic. The steadily improving economy in South Carolina will put downward pressure on enrollment, which the College believes is best and sustainably dealt with by improving student retention. The College has set its year-to-year retention benchmark at 70% for students starting in Fall 2014. This represents a significant increase above the current value of just over 61%, but the College plans to leverage lessons learned in the deployment of its enrollment management system to improve retention. Additionally, the College must look at its instructional activities, changing them in a way that provides higher value-added outcomes at lower unit cost to the institution.

The SC Legislature has shown little interest in adequately funding higher education, making the College accountable for its financial sustainability. The College is confident that its mission of *Building the Community through Maximizing Student Success* is the way to long-term sustainability.

---

Vice President for Business Services

---

President

**YORK TECHNICAL COLLEGE**  
Statement of Net Position  
June 30, 2014

	<u>June 30</u> <u>2014</u>	<u>June 30</u> <u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 21,243,173	29,131,700
Investments	5,488,663	-
Accounts Receivable, Net	6,100,099	2,739,104
Other Assets	8,561	3,830
Total Current Assets	<u>32,840,496</u>	<u>31,874,634</u>
<b>NONCURRENT ASSETS</b>		
Capital Assets	<u>24,922,648</u>	<u>24,104,833</u>
Total Noncurrent Assets	<u>24,922,648</u>	<u>24,104,833</u>
Total Assets	<u><u>57,763,144</u></u>	<u><u>55,979,467</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	907,451	1,034,472
Payroll Liabilities	977,858	1,208,584
Unearned Revenue	2,572,025	2,346,470
Funds Held for Others	2,578	2,207
Accrued Compensated Absences - Current	130,918	140,178
Total Current Liabilities	<u>4,590,830</u>	<u>4,731,911</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued Compensated Absences - Long Term	<u>1,274,843</u>	<u>1,249,730</u>
Total Noncurrent Liabilities	<u>1,274,843</u>	<u>1,249,730</u>
Total Liabilities	<u><u>5,865,673</u></u>	<u><u>5,981,641</u></u>
<b>NET POSITION</b>		
Invested in Capital Assets	24,922,648	24,104,833
Unrestricted Net Assets	<u>26,974,823</u>	<u>25,892,993</u>
Total Net Position	<u><u>\$ 51,897,471</u></u>	<u><u>49,997,826</u></u>

**YORK TECHNICAL COLLEGE**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2014

	June 30 2014	June 30 2013
<b>REVENUES</b>		
<b>OPERATING REVENUES</b>		
Student Tuition and Fees (Net of Scholarship Allowance)	\$ 10,204,952	8,991,009
Federal Grants and Contracts	1,783,899	1,696,045
State and Local Grants and Contracts	5,560,486	4,639,282
Sales and Services of Educational Departments	946,109	900,534
Auxiliary Enterprises	430,994	366,600
Other Operating Revenues	528,527	715,304
Total Operating Revenues	<u>19,454,967</u>	<u>17,308,774</u>
<b>EXPENSES</b>		
<b>OPERATING EXPENSES</b>		
Salaries	19,152,741	18,846,144
Benefits	5,632,335	5,508,023
Scholarships	6,496,646	5,185,587
Utilities	1,098,294	993,012
Supplies and Other Services	7,803,040	6,466,025
Depreciation	1,254,817	1,420,562
Total Operating Expenses	<u>41,437,873</u>	<u>38,419,353</u>
Operating Income (Loss)	<u>(21,982,906)</u>	<u>(21,110,579)</u>
<b>NONOPERATING REVENUES</b>		
State Appropriations		
Salary and Fringes	5,817,784	5,609,783
Lottery Technology Funds	177,390	218,445
Pathways Initiative	34,472	21,406
Local Appropriations	3,927,139	4,235,323
Investment Income	65,902	207,396
Unrealized Gain on Investments	34,847	-
Federal Grants and Contracts	11,961,817	10,978,488
Other Nonoperating Revenues	49,585	49,585
Net Nonoperating Revenues	<u>22,068,936</u>	<u>21,320,426</u>
Income (Loss) Before Other Revenues, Expenses	86,030	209,847
<b>CAPITAL APPROPRIATIONS</b>		
State Capital Appropriations	264,890	182,546
Non-Recurring State Capital Reserve Funds	24,037	-
Local Capital Appropriations	1,524,688	514,545
Increase in Net Assets	<u>1,899,645</u>	<u>906,938</u>
<b>NET ASSETS</b>		
Net Assets - Beginning of Year	<u>49,997,826</u>	<u>49,090,888</u>
Net Assets - End of Year	<u>\$ 51,897,471</u>	<u>49,997,826</u>

**YORK TECHNICAL COLLEGE**  
Statement of Cash Flows  
For the Year Ended June 30, 2014

	June 30 2014	June 30 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees	\$ 22,052,518	20,252,975
Tuition and Fees - Scholarship Allowance	(11,771,996)	(11,157,389)
Federal, State and Local Grants and Contracts	5,740,981	7,058,360
Sales and Services of Educational Departments	946,109	900,534
Auxiliary Enterprise Charges	430,994	366,600
Other Receipts	857,266	456,208
Payments and Vendors	(15,494,885)	(12,336,759)
Payments to Employees	(24,999,950)	(24,349,376)
Net Cash Provided (Used) by Operating Activities	(22,238,963)	(18,808,847)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	6,427,361	6,032,179
Local Appropriations	3,808,639	4,235,323
State , Local and Federal Grants, Gifts and Contracts - Non Operating	11,026,458	11,254,335
Net Cash Flows Provided by Noncapital Financing Activities	21,262,458	21,521,837
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Local Appropriations	317,457	510,870
State Appropriations	288,927	-
Notes Payable - Payments	-	(213,018)
Purchase of Capital Assets	(2,072,633)	(629,965)
Net Cash Provided by Capital and Related Financing Activities	(1,466,249)	(332,113)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	42,890	207,396
Purchase of Investments	(5,488,663)	-
Net Cash Flows Provided (Used) by Investing Activities	(5,445,773)	207,396
Net Increase (Decrease) in Cash	(7,888,527)	2,588,273
Cash - Beginning of Year	29,131,700	26,543,427
Cash - End of Year	\$ 21,243,173	29,131,700



**YORK TECHNICAL COLLEGE**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2014

	June 30	Restated June 30
	<u>2014</u>	<u>2013</u>
<b>Reconciliation of Net Operating Revenue (Expenses) to Net Cash</b>		
<b>Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (21,982,906)	(21,110,579)
Depreciation Expense	1,254,817	1,420,562
Change in Assets and Liabilities		
Receivables, Net	(1,004,857)	612,084
Prepaid Items	(4,731)	32,032
Accounts Payable	(357,747)	119,859
Compensated Absences	15,853	(52,253)
Funds Held for Others	371	526
Adjustment to Market on Investments	34,844	-
Compensated Absences	49,585	-
Unearned Revenue	(244,192)	168,922
Net Cash Provided (Used) by Operating Activities	<u>\$ (22,238,963)</u>	<u>(18,808,847)</u>

**YORK TECHNICAL COLLEGE**  
Component Unit  
York Technical College Foundation, Inc.  
Statement of Financial Position  
For the Year Ended June 30, 2014

	<u>2014</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 18,215
Investments	6,285,411
Accounts Receivable	30,619
Contributions Receivable	17,315
Funds Held in Trust by Others	180,003
Other Assets	19,625
Property, Plant and Equipment	
Net of Accumulated Depreciation	<u>1,046,531</u>
Total Assets	<u><u>\$ 7,597,719</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
Liabilities:	
Accounts Payable	\$ 52,476
Sales Tax Payable	<u>23,643</u>
Total Liabilities	<u>76,119</u>
Net Assets:	
Unrestricted - Invested in Property, Plant and Equipment	755,379
Unrestricted - Other	21,223
Temporarily Restricted - Invested in Property, Plant and Equipment	291,152
Temporarily Restricted - Other	3,037,737
Permanently Restricted	<u>3,416,109</u>
Total Net Assets	<u>7,521,600</u>
Total Liabilities and Net Assets	<u><u>\$ 7,597,719</u></u>

**YORK TECHNICAL COLLEGE**  
Component Unit  
York Technical College Foundation, Inc.  
Statement of Activities  
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Contributions, Net	\$ 8,650	597,550	61,089	667,289
Investment Income	50	691,530	-	691,580
Rental Income	96,279	-	-	96,279
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	227,634	(227,634)	-	-
<b>Total Revenues, Gains and Other Support</b>	<b>\$ 332,613</b>	<b>1,061,446</b>	<b>61,089</b>	<b>1,455,148</b>
<b>EXPENSES</b>				
Program Services:				
Capital Outlay	151,230	-	-	151,230
General and Administrative	66,564	-	-	66,564
Scholarships	45,912	-	-	45,912
Support Services:				
Management and General	69,603	-	-	69,603
Fund Raising	127,667	-	-	127,667
<b>Total Expenses</b>	<b>460,976</b>	<b>-</b>	<b>-</b>	<b>460,976</b>
<b>Change in Net Assets</b>	<b>(128,363)</b>	<b>1,061,446</b>	<b>61,089</b>	<b>994,172</b>
<b>Net Assets at Beginning of Year, as Restated</b>	<b>904,965</b>	<b>2,267,443</b>	<b>3,355,020</b>	<b>6,527,428</b>
<b>Net Assets at End of Year</b>	<b>\$ 776,602</b>	<b>3,328,889</b>	<b>3,416,109</b>	<b>7,521,600</b>

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations:** York Technical College, a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of York, Chester, and Lancaster counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College's service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

**Reporting Entity:** The financial reporting entity, as defined by Government Accounting Standards Board (GASB), consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

Accordingly, the financial statements include the accounts of York Technical College as the primary government and the accounts of York Technical College Foundation, its component unit. The College is part of the primary government of the State of South Carolina, and will be reported as a discretely presented component unit in its 2014 Comprehensive Annual Financial Report. However, based on the nature and significance of the Foundation's relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt non-governmental component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The twenty-eight member board of the Foundation is self-perpetuating and consists of community leaders and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or incomes thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. However, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements. (See the Component Unit Section within this Summary of Significant Accounting Policies.)

Financial statements for the Foundation can be obtained by mailing a request to York Technical College Foundation, 452 South Anderson Road, Rock Hill, South Carolina 29730.

The College is part of the State of South Carolina's primary government and has been included in the State's comprehensive annual financial report as such. However, the College is not legally separate; therefore, it is not considered a Component Unit of the State of South Carolina.

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of York Technical College as the primary government. York Technical College has determined that it is not a component of another entity.

**Financial Statements:** The financial statement presentation for the College meets the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.

For 2013, the College implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position.

**Basis of Accounting:** For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented as net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**Investments:** Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investments of Funds." GASB Statement No. 40, Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3 requires disclosures related to deposit risks (e.g. custodial credit risk), investment risks (e.g. credit risk, which includes custodial credit risk and concentrations of credit risks) and interest rate risk.

The College accounts for its investments at fair value in accordance with GASB Codification 150, *Investments*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

**Accounts Receivable:** Accounts receivable consists of tuition and fee charges to students, and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivables are recorded net of estimated uncollectible amounts. Detail for accounts receivable are discussed in Note 3. Allowances for losses for student accounts receivables is established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2014 the allowance for uncollectible student accounts was \$1,349,761.

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Inventories:** Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements, and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

**Unearned Revenues and Deposits:** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of long-term liabilities as well as short-term liabilities in the statement of net assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets.

**Net Assets:** The College's net assets are classified as follows:

*Invested in capital assets, net:* This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Restricted net assets - expendable:* Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consists of endowment and similar type funds in which donors or other outside sources have stipulated as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can be used as both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Income Taxes:** The College is exempt from income taxes under the Internal Revenue Code.

**Classification of Revenues:** The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

*Non-operating revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes. Beginning fiscal year 2010, the SC Comptroller General's Office mandated that PELL grants be reclassified from operating revenue to non-operating revenue.

State Fiscal Stabilization Funds are reported as Federal non-operating revenues in the financial statements, with a portion reported as capital grants if appropriate.

**Sales and Services of Educational and Other Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from the Child Development Center.

**Auxiliary Enterprises and Internal Service Activities:** Auxiliary enterprise revenues primarily represent revenues generated by the bookstore. Revenues of internal service and the related expenditures of College departments have been eliminated. Effective March 1, 2004, Barnes and Noble assumed the operations of the Bookstore.

**Component Units:** See Note 17.

In fiscal year 2014, the College implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflows of resources or inflow of resources. Requirements of this Statement are effective for financial statements whose fiscal year begins after December 15, 2012.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**DEPOSITS:**

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 2 - DEPOSITS AND INVESTMENTS**, Continued

**Custodial Credit Risk:**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the College will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails.

The College's policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The College President is authorized to invest surplus funds or may delegate this responsibility to the Vice President of Business Services. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process (and all in compliance with State laws and regulations). All investments shall be protected by FDIC, FSLIC, and/or have sufficient pledged securities as collateral.

The deposits for York Technical College were \$26,731,836 at June 30, 2014 and \$29,131,700 at June 30, 2013, none were exposed to custodial credit risk as uninsured and uncollateralized. In addition, all these deposits were collateralized with securities held by the pledging institution in the College's name. The SC State Treasurer's Office monitors the collateral sufficiency and requires that collateral equal a minimum of 102%.

**Foreign Currency Risk:**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. York Technical College does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the College is not exposed to this risk.

**INVESTMENTS:**

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College has investments at June 30, 2014, invested in government backed securities in compliance with the State of South Carolina Code of Laws.

As of June 30, 2014, the investment balances were as follows:

	<u>Carrying Value</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Credit Rating</u>
Fixed income securities:				
U.S. Treasury Bonds & Notes	\$ 406,142	5/31/16-9/30/20	1.26	N/A
U. S. Government Agencies	5,082,521	5/27/15-4/24/23	1.71	N/A
	<u>\$ 5,488,663</u>			

**Custodial Credit Risk:**

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

The College's policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The College President is authorized to invest surplus funds or may delegate this responsibility to the Vice President for Business Services. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process (and all in compliance with State laws and regulations). All investments shall be protected by FDIC, FSLIC, and/or have sufficient pledged securities as collateral.



**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 2 - DEPOSITS AND INVESTMENTS**, Continued

***INVESTMENTS:*** Continued

**Credit Risk:**

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

The College's policy concerning credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The College President is authorized to invest surplus funds or may delegate this responsibility to the Executive Vice President. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process (and all in compliance with State laws and regulations). All investments shall be protected by FDIC, FSLIC, and/or have sufficient pledged securities as collateral.

**Concentration of Credit Risk:**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a policy on concentration of credit risk.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities.

The College does not have a policy concerning interest rate risk.

**Foreign Currency Risk:**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. York Technical College does not maintain investments that are denominated in a currency other than the United States dollar, and therefore, the College is not exposed to this risk.

The following schedule reconciles cash and investments as reported on the Statement of Net Assets to footnote disclosure provided for deposits and investments.

	<u>2014</u>	<u>2013</u>
STATEMENT OF NET ASSETS:		
Cash and Cash Equivalents	\$ 21,243,173	29,131,700
Investments	5,488,663	-
	<u>26,731,836</u>	<u>29,131,700</u>
DEPOSITS AND INVESTMENTS NOTE:		
Cash on Hand	1,380	2,690
Carrying Amount of Deposits, Net	21,241,793	29,129,010
Carrying Amounts of Investments	5,488,663	-
Total	<u>\$ 26,731,836</u>	<u>29,131,700</u>

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2014 and June 30, 2013, are summarized as follows:

	2014	2013
Student Accounts	\$ 2,414,988	2,289,027
Less: Allowance for Doubtful Accounts	(1,349,761)	(1,171,356)
Federal Grants and Contracts	2,443,134	104,132
State Grants and Contracts	2,530,710	1,150,917
Other	61,028	366,384
Net Accounts Receivable	<u>\$ 6,100,099</u>	<u>2,739,104</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2014 the allowance for uncollectible student accounts is valued at \$1,349,761 and at June 30, 2013 the allowance for uncollectible student accounts is valued at \$1,173,356. During the year \$862,577 of students accounts receivable were written off as uncollectible and the allowance for uncollectible accounts was increased to \$1,349,761. This was intended to ensure that the College has adequate reserves given the challenges students are facing in the current economic climate.

**NOTE 4 - CAPITAL ASSETS**

The activities in the College's capital assets for the fiscal year ended June 30, 2014 are as follows:

	Beginning Balance June 30, 2013	Increases	Decreases	Transfers	Ending Balance June 30, 2014
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 1,029,567	-	-	-	1,029,567
Construction In Progress	603,455	1,780,262	-	(464,390)	1,919,327
Total Capital Assets Not Being Depreciated	<u>1,633,022</u>	<u>1,780,262</u>	<u>-</u>	<u>(464,390)</u>	<u>2,948,894</u>
Other Capital Assets:					
Buildings and Improvements	37,378,432	-	-	464,390	37,842,822
Machinery, Equipment and Other	5,906,835	292,370	(146,952)	-	6,052,253
Vehicles	632,768	-	(23,000)	-	609,768
Depreciable Land Improvements	2,109,426	-	-	-	2,109,426
Total Other Capital Assets At Historical Cost	<u>46,027,461</u>	<u>292,370</u>	<u>(169,952)</u>	<u>464,390</u>	<u>46,614,269</u>
Less Accumulated Depreciation For:					
Buildings And Improvements	(16,825,700)	(948,455)	-	-	(17,774,155)
Machinery, Equipment And Other	(5,293,105)	(242,104)	146,952	-	(5,388,257)
Vehicles	(527,616)	(37,159)	23,000	-	(541,775)
Depreciable Land Improvements	(909,229)	(27,099)	-	-	(936,328)
Total Accumulated Depreciation	<u>(23,555,650)</u>	<u>(1,254,817)</u>	<u>169,952</u>	<u>-</u>	<u>(24,640,515)</u>
Capital Assets, Net	<u>\$ 24,104,833</u>	<u>817,815</u>	<u>-</u>	<u>-</u>	<u>24,922,648</u>

There were no losses on the disposal of fixed assets in the fiscal year ended June 30, 2014.

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 4 - CAPITAL ASSETS**, Continued

The activities in the College's capital assets for the fiscal year ended June 30, 2013 are as follows:

	Beginning Balance June 30, 2012	Increases	Decreases	Transfers	Ending Balance June 30, 2013
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 1,029,567	-	-	-	1,029,567
Construction In Progress	248,735	354,720	-	-	603,455
Total Capital Assets Not Being Depreciated	1,278,302	354,720	-	-	1,633,022
Other Capital Assets:					
Buildings and Improvements	37,378,432	-	-	-	37,378,432
Machinery, Equipment and Other	5,933,688	250,745	(277,598)	-	5,906,835
Vehicles	608,268	24,500	-	-	632,768
Depreciable Land Improvements	2,109,426	-	-	-	2,109,426
Total Other Capital Assets At Historical Cost	46,029,814	275,245	(277,598)	-	46,027,461
Less Accumulated Depreciation For:					
Buildings And Improvements	(15,863,788)	(961,912)	-	-	(16,825,700)
Machinery, Equipment And Other	(5,173,589)	(397,114)	277,598	-	(5,293,105)
Vehicles	(493,179)	(34,437)	-	-	(527,616)
Depreciable Land Improvements	(882,130)	(27,099)	-	-	(909,229)
Total Accumulated Depreciation	(22,412,686)	(1,420,562)	277,598	-	(23,555,650)
Capital Assets, Net	\$ 24,895,430	(790,597)	-	-	24,104,833

There were no losses on the disposal of fixed assets in the fiscal year ended June 30, 2013.

**NOTE 5 - PENSION PLAN(S)**

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90).

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 5 - PENSION PLAN(S)**, Continued

The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2013, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 15.52%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death program and a 4.92% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% employer retirement contribution, 4.92% retiree insurance surcharge and .15% incidental death program. The College's actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2014, 2013, and 2012 were:

Fiscal Year Ended	Retirement		Incidental Death	
	Rate	Contribution	Rate	Contribution
2014	10.450%	\$ 1,450,830	0.15%	\$ 20,825
2013	10.450%	1,461,249	0.15%	20,974
2012	9.385%	1,379,042	0.15%	22,041

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 5 - PENSION PLAN(S)**, Continued

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2013, employees participating in the PORS were required to contribute 7.84% of all earnable compensation. The employer contribution rate for PORS was 17.76%. Included in the total PORS employer contribution rate is a base retirement contribution of 12.44%, .20% for the incidental death program, .20% for the accidental death program, and a 4.92% surcharge that will fund retiree health and dental insurance coverage. The College's actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended June 30, 2014, 2013, and 2012 were:

Fiscal Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate		Rate		Rate	
	Contribution	Contribution	Rate	Contribution	Rate	Contribution
2014	12.440%	\$ 14,320	0.20%	\$ 230	0.20%	\$ 230
2013	11.900%	13,569	0.20%	228	0.20%	228
2012	9.385%	12,805	0.20%	225	0.20%	225

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.92% from the employer in fiscal year 2014. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and .15% incidental death program contribution amounts are remitted to SCRS.

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 5 - PENSION PLAN(S)**, Continued

For fiscal year 2014, total contributions requirements to the ORP were approximately \$246,933 (excluding the surcharge) from the College as employer and approximately \$174,717 from its employees as plan members.

The amounts paid by the College for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the College's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the College recognizes no contingent liability for unfunded costs associated with participation in the plans.

**NOTE 6 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS AND OTHER EMPLOYEE BENEFITS**

**Plan Description**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The College contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA).

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 6 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS AND OTHER EMPLOYEE BENEFITS**, Continued

**Funding Policies**

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.92% of annual covered payroll for 2014 and 4.55% of annual covered payroll for 2013. The IB sets the employer contribution rate based on a pay-as-you-go basis. The College paid approximately \$803,348 and \$736,211 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2014 and 2013, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2014 and 2013.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

**NOTE 7 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

In the opinion of College Administration, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures allowed under terms of the grant. The College administration believes disallowances, if any, be immaterial.

At June 30, 2014, the College had remaining project commitment balances of approximately \$827,572 for Deferred Maintenance, Building C Classroom Additions/Renovations and Master Plan Projects.

**OTHER CAPITAL PROJECTS**

Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities.

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 7 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**, Continued

Unrestricted Net Assets

Planned Uses of Unrestricted Net Assets at June 30:

	2014
60 Day Operating Reserve	\$ 6,031,140
Master Plan Implementation	19,043,683
Deferred Maintenance	900,000
Academic Equipment Reserve	500,000
Operating Contingency	500,000
	<u>\$ 26,974,823</u>

Planned Uses of Unrestricted Net Assets at June 30:

	2013
60 Day Operating Reserve	\$ 5,545,380
Master Plan Implementation	19,098,795
Deferred Maintenance	900,000
Operating Contingency	348,818
	<u>\$ 25,892,993</u>

**NOTE 8 - LEASE OBLIGATIONS**

Future commitments for operating leases in excess of one year as reported at June 30, 2014 are as follows:

<u>Year Ended June 30, 2014</u>	<u>Operating Leases/ Equipment</u>
2015	\$ 332,052
2016	332,279
2017	332,279
2018	20,762
2019	20,762
Total Minimum Payments	<u>\$ 1,038,134</u>

Future commitments for operating leases in excess of one year as reported at June 30, 2013 were as follows:

<u>Year Ended June 30, 2013</u>	<u>Operating Leases/ Equipment</u>
2014	\$ 318,085
2015	305,274
2016	304,501
2017	304,501
2018	161,744
Total Minimum Payments	<u>\$ 1,394,105</u>



**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 9 - LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2014 was as follows:

	June 30, 2013	Addition	Reductions	June 30, 2014	Current Portion	Noncurrent Portion
Notes Payable	\$ -	-	-	-	-	-
Accrued Compensated Absences	1,389,908	145,045	129,192	1,405,761	130,918	1,274,843
Total Long-Term Liabilities	<u>\$ 1,389,908</u>	<u>145,045</u>	<u>129,192</u>	<u>1,405,761</u>	<u>130,918</u>	<u>1,274,843</u>

Long-term liability activity for the year ended June 30, 2013 was as follows:

	June 30, 2012	Addition	Reductions	June 30, 2013	Current Portion	Noncurrent Portion
Notes Payable	\$ 213,018	-	213,018	-	-	-
Accrued Compensated Absences	1,442,161	72,600	124,853	1,389,908	140,178	1,249,730
Total Long-Term Liabilities	<u>\$ 1,655,179</u>	<u>72,600</u>	<u>337,871</u>	<u>1,389,908</u>	<u>140,178</u>	<u>1,249,730</u>

**NOTE 10 - RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS**

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational program. Financial statements for these entities are audited by independent auditors and retained by them. They include York Technical College Foundation.

Management reviewed its relationship with the Foundation under the existing guidance of GASB Statement No. 14 as amended by GASB 39. Because of the nature and the significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a more detailed discussion of the Foundation and a summary of significant transactions (if any) between the Foundation and the College for the year ended June 30, 2014.

***The York Technical College Foundation***

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of York Technical College. The Foundation's activities are governed by its Board of Directors.

York Technical College recorded receipts of \$127,737 from the Foundation in non-operating revenues for the fiscal year ended June 30, 2014 and \$125,293 for the fiscal year ended June 30, 2013. These funds were used to support College programs such as scholarships and facility utilization. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation.

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 10 - RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS,** Continued

Related party receivables and payables as of June 30, 2014 and June 30, 2013 are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Due from York Technical College Foundation	\$ 49,833	27,358
Due to York Technical College Foundation	776	-

More detailed discussion of the Foundation can be found in Note 17.

**NOTE 11 - RISK MANAGEMENT**

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets including data processing;
- Real property, its contents, and other equipment;
- Motor vehicles;
- General tort liability

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 12 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2014 are summarized as follows:

	Salaries	Benefits	Scholarship	Utilities	Supplies and Other Services	Deprecation	Total
Instruction	\$ 11,272,212	3,161,013	-	-	1,753,230	-	16,186,455
Academic Support	2,070,934	646,972	-	-	1,373,742	-	4,091,648
Student Services	2,228,998	644,040	-	-	385,799	-	3,258,837
Operation and Maintenance of Plant	1,239,894	411,285	-	1,098,294	1,433,872	-	4,183,345
Institutional Support	2,340,703	769,025	-	-	2,855,839	-	5,965,567
Scholarships & Fellowships	-	-	6,496,646	-	-	-	6,496,646
Auxiliary Enterprises	-	-	-	-	558	-	558
Depreciation	-	-	-	-	-	1,254,817	1,254,817
Total Operating Expenses	<u>\$ 19,152,741</u>	<u>5,632,335</u>	<u>6,496,646</u>	<u>1,098,294</u>	<u>7,803,040</u>	<u>1,254,817</u>	<u>41,437,873</u>

Operating expenses by functional classification for the year ended June 30, 2013 are summarized as follows:

	Salaries	Benefits	Scholarship	Utilities	Supplies and Other Services	Deprecation	Total
Instruction	\$ 10,873,570	3,001,028	-	-	1,946,923	-	15,821,521
Academic Support	1,944,801	611,174	-	-	989,102	-	3,545,077
Student Services	2,236,537	666,393	-	-	433,670	-	3,336,600
Operation and Maintenance of Plant	1,284,049	436,687	-	993,012	1,003,747	-	3,717,495
Institutional Support	2,506,387	792,741	-	-	2,090,594	-	5,389,722
Scholarships & Fellowships	-	-	5,185,587	-	-	-	5,185,587
Auxiliary Enterprises	800	-	-	-	1,989	-	2,789
Depreciation	-	-	-	-	-	1,420,562	1,420,562
Total Operating Expenses	<u>\$ 18,846,144</u>	<u>5,508,023</u>	<u>5,185,587</u>	<u>993,012</u>	<u>6,466,025</u>	<u>1,420,562</u>	<u>38,419,353</u>

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 13 - STATE APPROPRIATIONS**

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board) and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a detailed schedule of State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2014 and June 30, 2013.

	<u>2014</u>	<u>2013</u>
<b>NON-CAPITAL APPROPRIATIONS</b>		
Current Year's Appropriations:		
Appropriations from State Board Allocation - Salary and Fringes	\$ 5,817,784	5,609,783
Appropriations from SC Education Lottery Fund	177,390	218,444
Appropriations from State Board Allocation - Pathways	<u>34,472</u>	<u>21,406</u>
Total Non-Capital Appropriations Recorded as Current Year Revenue	<u><u>\$ 6,029,646</u></u>	<u><u>5,849,633</u></u>
<b>CAPITAL APPROPRIATIONS</b>		
Capital Reserve Funds	\$ 20,910	-
Deferred Maintenance	243,980	182,546
Non-Recurring Capital Reserve Funds	<u>24,037</u>	<u>-</u>
Total Capital Appropriations Recorded as Current Year Revenue	<u><u>\$ 288,927</u></u>	<u><u>182,546</u></u>

**NOTE 14 - REQUIRED INFORMATION ON BUSINESS - TYPE ACTIVITIES**

	<u>2014</u>	<u>2013</u>	<u>Increase/ Decrease</u>
Charges for Services	\$ 19,454,967	17,308,774	2,146,193
Operating Grants and Contributions	15,973,388	15,263,395	709,993
Capital Grants and Contributions	1,524,688	514,546	1,010,142
Less: Expenses	<u>(41,437,873)</u>	<u>(38,419,353)</u>	<u>(3,018,520)</u>
Net Program Revenue (Expense)	<u>(4,484,830)</u>	<u>(5,332,638)</u>	<u>847,808</u>
General Revenues:			
Earnings on Investments	65,902	207,396	(141,494)
Transfers:			
State Appropriations	<u>6,318,573</u>	<u>6,032,180</u>	<u>286,393</u>
Total General Revenue and Transfers	<u>6,384,475</u>	<u>6,239,576</u>	<u>144,899</u>
Change in Net Assets	1,899,645	906,938	992,707
Net Assets - Beginning	<u>49,997,826</u>	<u>49,090,888</u>	<u>906,938</u>
Net Assets - Ending	<u><u>\$ 51,897,471</u></u>	<u><u>49,997,826</u></u>	<u><u>1,899,645</u></u>

**YORK TECHNICAL COLLEGE**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 15 – NOTE PAYABLE**

The College did not have any outstanding notes payable at June 30, 2013 or at June 30, 2014.

**NOTE 16 – AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) FUNDS**

The College incurred expenditures of \$6,155 during fiscal year 2013 and no expenditures during fiscal year 2014 under American Recovery and Reinvestment Act (ARRA) funding. These funds were awarded to the College via pass-through funding from the U.S Department of Education (State Fiscal Stabilization Funds), U.S. Department of Labor (Workforce Investment Act), and the U.S. Department of Energy (State Energy Program). ARRA funds were primarily used to provide scholarships and student support for Workforce Investment Act participants. In addition, funds were used to provide instructional support and instructional equipment.

The schedules below list the individual funds and expenses and expenses by functional classification.

	Salaries	Benefits	Scholarships	Supplies and Other Services	June 30, 2014 Total
Instruction	\$ -	-	-	-	-
Academic Support	-	-	-	-	-
Student Services	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-
Institutional Support	-	-	-	-	-
Scholarships & Fellowships	-	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Salaries	Benefits	Scholarships	Supplies and Other Services	June 30, 2013 Total
Instruction	\$ -	-	-	-	-
Academic Support	-	-	-	-	-
Student Services	4,732	1,423	-	-	6,155
Operation and Maintenance of Plant	-	-	-	-	-
Institutional Support	-	-	-	-	-
Scholarships & Fellowships	-	-	-	-	-
	<u>\$ 4,732</u>	<u>1,423</u>	<u>-</u>	<u>-</u>	<u>6,155</u>

Fund	Funds used through June 30, 2013
ARRA BTOP Broadband Technology	<u>\$ 6,155</u>

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

**1. General**

The York Technical College Foundation, Inc. (the Foundation) was incorporated under the laws of South Carolina on May 17, 1983, for the purpose of seeking funds and resources to further the educational mission of York Technical College. The Foundation is exclusively a charitable and educational corporation within the meaning of section 501(c)(3) of the Internal Revenue Service Code.

**2. Summary of Significant Accounting Policies**

Classes of Net Assets

The financial statements report amounts separately by class of net assets:

*Unrestricted Net Assets* - Unrestricted Net Assets are those currently available for use by the Foundation.

*Temporarily Restricted Net Assets* - Temporarily Restricted Net Assets are contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to these stipulations.

*Permanently Restricted Net Assets* - Permanently Restricted Net Assets are contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the organization's actions.

**Donor-Imposed Restrictions** - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

For the fiscal year 2013-2014, temporarily restricted net assets are restricted for scholarships to York Technical College students, as well as, equipment, building improvements, buildings and teacher incentives. Permanently restricted net assets are named endowments of which the earnings from the corpus are to be used for scholarships.

— CONTINUED —

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. **Summary of Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, cash and cash equivalents are considered to be cash or highly liquid investments with a maturity of three months or less when purchased.

**Cash and Investments** – The cash balance at June 30, 2014 was \$18,215 and the bank balance was \$33,882. All amounts were insured by the Federal Deposit Insurance Corporation.

Investments are presented in the financial statements in the aggregate at fair market value. Investments consist of two separate trusts under agreements with a financial management company. The trustee, by agreement, can invest in stocks, bonds, negotiable securities and property (real and personal) as the trustee deems advisable. All investments are in the name of the Foundation. The cost and fair values of the investments are listed below:

	<u>Cost</u>	<u>Fair Value</u>
Money funds	\$ 340,911	\$ 340,911
Fixed income:		
U.S. Government Agency	725,614	703,541
Corporates	1,012,689	992,516
Mutual Funds	1,427,205	1,781,384
Equities	2,043,101	2,467,059
	<u>\$ 5,549,520</u>	<u>\$ 6,285,411</u>

The Foundation accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of activities. The total unrealized gains at June 30, 2014 are \$735,891.

**Funds Held in Trust by Others** - Trust agreements under which the Foundation has no control over the investment of assets are at the fair value of the investments held as reported by the custodians. Changes in the value of the assets are included in the statement of activities as increases and decreases to contributions received. Distributions to the Foundation during the life of the agreement are recognized as contributions received in the appropriate net asset classification in accordance with the donor's wishes.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**2. Summary of Significant Accounting Policies (Continued)**

**Public Support, Revenue and Expenses** – The Foundation recognizes contributions and investment income on the accrual basis. Interest income earned on the endowments are allocated to the endowments in the endowment fund. All other interest income is recorded in the general fund. Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

**Management Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Endowment**

The Foundation's endowment includes donor restricted endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Foundation has interpreted that the South Carolina Uniform Prudent Management of Institutional Funds Act does not apply to the endowment funds at the Foundation because these funds are all held at a financial institution who acts as trustee.

**3. Property, Plant and Equipment**

Property, plant and equipment are carried at cost. The Foundation reports depreciation using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are generally as follows:

Land improvements	20 years
Buildings and improvements	28 years
Furniture	3 years



YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**3. Property, Plant and Equipment (Continued)**

The Foundation capitalizes all long-term assets with a cost or donated fair value of \$1,000 or more. Property, plant and equipment details are as follows:

<b>Cost</b>	<b>June 30, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2014</b>
Land	\$ 597,899	\$ -	\$ -	\$ 597,899
Land improvements	28,000	-	-	28,000
Building	583,810	-	-	583,810
Building improvements	74,668	-	-	74,668
	<u>1,284,377</u>	<u>-</u>	<u>-</u>	<u>1,284,377</u>
<b>Accumulated Depreciation</b>				
Land improvements	(22,400)	(1,400)	-	(23,800)
Building and improvements	(190,528)	(23,518)	-	(214,046)
	<u>(212,928)</u>	<u>(24,918)</u>	<u>-</u>	<u>(237,846)</u>
Net book value	<u>\$ 1,071,449</u>	<u>\$ (24,918)</u>	<u>\$ -</u>	<u>\$ 1,046,531</u>

Depreciation expense recorded for 2013/2014 was \$24,918.

**4. Taxes**

The Foundation meets the requirements of the Internal Revenue Code and is exempt from federal income tax under Section 501(c)(3) of the Code. As of the date of this report, the tax years ending June 30, 2014, 2013, 2012 and 2011 remain open and subject to review by the Internal Revenue Service. Management of the Foundation does not expect any tax liability to result from these tax periods. The Foundation is not classified as a private foundation.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**5. Contributions Receivable, net**

The contributions receivable in the temporarily restricted fund are related to pledges for capital projects and the Annual Fund. The full amount of \$17,315 is expected to be collected over the next year. Management does not expect any losses, thus no allowance for uncollectible amounts has been recorded. The contributions receivable details are as follows:

**6. Investment Income**

Investment income consists of the following:

Interest and dividends	\$ 72,988
Gains and losses	618,592
	<u>\$ 691,580</u>

**7. Related Party Transactions**

Due to the purpose of the Foundation, York Technical College (the “College”) is a related party. The Foundation seeks funds and resources to further the educational mission of the College. It provides to the College’s students, scholarships, while the College provides to the Foundation, the personnel to manage the Foundation’s activities. All transactions are conducted at arms-length.

Amounts paid and accrued to the College during 2014 were \$34,297 for scholarships, \$3,000 for rent, \$35,000 for salaries, and \$83,856 for supplies and other costs.

Additionally, the Foundation paid a salary supplement directly to the College President in the amount of \$50,000.

The College also leases, through operating leases that expire from November 2014 through December 2015, three instructional facilities from the Foundation. The monthly lease rates are \$4,690 for the Wilson Street property and \$1,667 each for the Heavy Equipment Building and the Saluda Street facility. The lease must meet length conditions before the State will approve it and the State must approve all leases with the College. The Foundation collected \$96,279 for these leases during the year ended June 30, 2014. Estimated future lease revenue is as follows:

2015	\$ 79,612
2016	28,139
	<u>\$ 107,751</u>

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**8. Sales Tax Payable**

The Foundation has established a sales tax payable liability account. This account represents sales tax not collected by vendors on orders placed by the Foundation. The funds in this account will be payable to the State of South Carolina Department of Revenue upon the establishment of an account.

**9. Employee Compensated Absences**

The Foundation has no employees as all persons providing services to the Foundation are either College employees or independent contractors. As such, any College employee's rights to receive compensation for future absences, such as vacation, are not recognized in these financial statements.

**10. Contingencies and Commitments**

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may be the result of litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonable possible. Guarantees of other's debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of this report, management is not aware of any contingencies that will result in any material loss to the Foundation.

**11. Fair Value**

Information about the fair value of financial instruments for which it is practical to estimate that value, whether or not recognized in the Statement of Financial Position, is required to be disclosed. Fair value is determined using various methods and assumptions.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**11. Fair Value (Continued)**

The following methods and assumptions were used to estimate the fair value for the classification within the financial statements:

- *Cash* – fair value approximates the carrying value due to the short maturity of these financial instruments.
- *Investments* – fair value is approximated by the balance reported by the custodian based on market values of the investment assets.
- *Contributions receivable* – fair value is approximated by discounting the expected future cash flows.
- *Funds held by others* - fair value is approximated by the balance reported by the custodian based on market values of the investment assets.

When quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instrument.

The following levels of input for measurement of fair value have been defined to assist the user in evaluating the fair value disclosure information:

Level 1	Quoted prices in an active market for identical assets or liabilities.
Level 2	Other quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active for transactions or availability of information, other observable sources of information, and information derived principally from or corroborated from observable sources of information.
Level 3	Unobservable sources of information, primarily management's assumptions about potential market participants.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**11. Fair Value (Continued)**

The estimated fair values of the Foundation's financial instruments are as follows and are included in the statement of financial position under similar descriptions:

	Level	Carrying Value	Fair Value
Financial assets:			
Cash	1	\$ 18,215	\$ 18,215
Investments	1	\$ 6,285,411	\$ 6,285,411
Funds held by others	1	\$ 17,315	\$ 17,315
Contributions receivable	3	\$ 180,003	\$ 180,003

The Foundation recognized a decrease in the amount of \$64,601 in level 3 for the decrease in contributions receivable during the year.

Certain financial instruments and all nonfinancial instruments are excluded from the fair value disclosure requirements. Accordingly, the aggregate fair value amounts presented do not necessarily represent the value of the Foundation. The Foundation recognized \$369,167 in unrealized gains resulting from changes in fair value during the period.

**12. Endowment Fund**

The Foundation's endowment fund includes donor restricted endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Foundation has interpreted that the South Carolina Uniform Prudent Management of Institutional Funds Act does not apply to the endowment funds at the Foundation because they are all held at a financial institution who acts as trustee.

YORK TECHNICAL COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

**12. Endowment Fund**

Changes in the endowment net assets for the years ended June 30, 2014 are as follows:

	Endowment Fund			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	\$ -	\$ 975,580	\$ 3,355,020	\$ 4,330,600
Investment return	-	581,717	-	581,717
Other revenue	-	1,258	61,089	62,347
Appropriation of endowment assets for expenditure	-	(14,049)	-	(14,049)
Endowment net assets, June 30, 2014	<u>\$ -</u>	<u>\$ 1,544,506</u>	<u>\$ 3,416,109</u>	<u>\$ 4,960,615</u>
Endowment net assets, June 30, 2014	\$ -	\$ 1,544,506	\$ 3,416,109	\$ 4,960,615
Non endowment net assets	776,602	1,784,383	-	2,560,985
Total net assets	<u>\$ 776,602</u>	<u>\$ 3,328,889</u>	<u>\$ 3,416,109</u>	<u>\$ 7,521,600</u>

**13. Restatement**

During the year, the Foundation discovered that it had not reported certain funds held in trust by others. The balance of these funds are now reflected in the Foundation's financial statements. The total of this restatement was to increase beginning net assets by \$156,615.

**14. Subsequent Events**

Subsequent events were evaluated through September 15, 2014, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.